Bank of Zhengzhou Co., Ltd.*

鄭州銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6196)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

The board of directors (the "**Board**") of Bank of Zhengzhou Co., Ltd.* (the "**Bank**" or "**Bank of Zhengzhou**") is pleased to announce the audited annual results (the "**Annual Results**") of the Bank and its subsidiaries (the "**Group**") for the year ended December 31, 2015 (the "**Reporting Period**") which were prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"). The Board and the audit committee of the Bank have reviewed and confirmed the Annual Results.

1. CORPORATE INFORMATION

Legal Name in Chinese:	鄭州銀行股份有限公司
Legal Name in English:	Bank of Zhengzhou Co., Ltd.
Legal Representative:	Mr. Wang Tianyu
Authorised Representative:	Mr. Wang Tianyu and Mr. Fu Chunqiao
Secretary to the Board:	Mr. Fu Chunqiao
Joint Company Secretaries:	Mr. Fu Chunqiao and Ms. Leung Wing Han Sharon
Stock Exchange on which H Shares are listed:	The Stock Exchange of Hong Kong Limited
Stock Name and Stock Code:	Stock Name: BANKOFZHENGZHOU Stock Code: 6196
Registered Address and Office Address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, the People's Republic of China ("**PRC**" or "**China**")

Principal Place of Business in Hong Kong:	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Contact Address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, PRC
Telephone:	+86-0371-67009199
Fax:	+86-0371-67009898
E-mail:	ir@zzbank.cn
Website of the Bank:	www.zzbank.cn

2. FINANCIAL HIGHLIGHTS

The financial information contained herein is prepared under the International Financial Reporting Standards on a consolidated basis. Unless otherwise stated, such information is the data of the Group denominated in RMB.

In respect of the financial statements of the Group prepared pursuant to the PRC GAAP and IFRSs, there is no difference between the net profit attributable to shareholders for the year ended December 31, 2015 and the net profit attributable to the shareholders as at the end of the Reporting Period.

2.1 Financial Data

	For the year ended December 31,				
	2015	2014	Year-on-year change between 2015 and 2014	2013	2012
	(Expressed in millions of Renminbi, unless otherwise stated)				
Operating Results			**Rate of Change (%)**		
Net interest income	6,906	5,284	30.70	4,102	3,190
Net fee and commission income	713	348	104.89	162	62
Operating income	7,861	5,505	42.80	4,257	3,578
Operating expenses	(2,252)	(1,842)	22.26	(1,386)	(1,342)
Impairment losses on assets	(1,298)	(497)	161.17	(400)	(328)
Profit before taxation	4,362	3,203	36.18	2,507	1,923
Net profit	3,356	2,463	36.26	1,902	1,460
Net profit attributable to equity shareholders of the Bank	3,357	2,463	36.30	1,902	1,460
Calculated on a per share basis (RMB)			**Rate of Change (%)**		
Net assets per share attributable to equity shareholders of the Bank	3.46	2.89	19.72	2.42	1.95
Earnings per share	0.85	0.62	37.10	0.48	0.37

2.2 Financial Indicators

	For the year ended December 31,				
	2015	2014	Year-on-year change between 2015 and 2014	2013	2012
	(Expressed in millions of Renminbi, unless otherwise stated)				
Profitability Indicators (%)			**Change**		
Return on average total assets[(1)]	1.43	1.39	0.04	1.50	1.67
Return on average equity[(2)]	22.99	23.52	(0.53)	22.10	21.04
Net interest spread[(3)]	2.95	3.07	(0.12)	3.30	3.99
Net interest margin[(4)]	3.12	3.31	(0.19)	3.50	4.00
Net fee and commission income to operating income	9.07	6.32	2.75	3.81	1.74
Cost-to-income ratio[(5)]	23.27	27.72	(4.45)	27.06	32.89
Capital adequacy ratio indicators[(6)] (%)			**Change**		
Calculated based on Capital Administrative Measures					
Core Tier-one capital adequacy ratio	10.09	8.66	1.43	10.28	N/A
Tier-one capital adequacy ratio	10.09	8.66	1.43	10.28	N/A
Capital adequacy ratio	12.20	11.12	1.08	12.08	N/A
Calculated based on Capital Adequacy Measures					
Core capital adequacy ratio	N/A	N/A	N/A	N/A	12.79
Capital adequacy ratio	N/A	N/A	N/A	N/A	15.26
Total equity to total assets	6.71	5.58	1.13	6.39	7.40
Asset quality indicators (%)			**Change**		
Non-performing loan ratio[(7)]	1.10	0.75	0.35	0.53	0.47
Allowance to non-performing loans[(8)]	258.55	301.66	(43.11)	425.54	425.28
Allowance to total loans[(9)]	2.85	2.26	0.59	2.24	2.01
Other indicator (%)			**Change**		
Loan-to-deposit ratio	55.73	58.83	(3.10)	61.65	67.19
Scale indicators			**Rate of Change (%)**		
Total assets	265,623	204,289	30.02	149,334	103,734
Of which:Net loans and advances to customers	91,604	76,226	20.17	61,536	49,153
Total liabilities	247,799	192,884	28.47	139,798	96,063
Of which: deposits from customers	169,195	132,561	27.64	102,097	74,654
Share capital	5,142	3,942	30.44	3,942	3,942

	For the year ended December 31,				
	2015	2014	Year-on-year change between 2015 and 2014	2013	2012
	(Expressed in millions of Renminbi, unless otherwise stated)				
Equity attributable to equity shareholders of the Bank	17,795	11,405	56.03	9,536	7,671
Non-controlling interests	29	–	N/A	–	–
Total equity	17,824	11,405	56.28	9,536	7,671

Notes:

(1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.

(2) Calculated by dividing net profit attributable to equity shareholders of the Bank for the period by average balance of total equity attributable to equity shareholders of the Bank at the beginning and the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

(6) The China Banking Regulatory Commission (the "**CBRC**") published the Capital Administrative Measures on June 7, 2012, which became effective on January 1, 2013 and replaced the Capital Adequacy Measures.

(7) Calculated by dividing total non-performing loans by total loans to customers.

(8) Calculated by dividing allowance for impairment losses on loans to customers by total non-performing loans.

(9) Calculated by dividing allowance for impairment losses on loans to customers by total loans to customers.

3. BUSINESS REVIEW

The year of 2015 was an extraordinary year in the history of development of Bank of Zhengzhou. Amid the mounting downside pressure in the domestic economy, the increasingly complex financial environment, the tightening financial regulatory policies and the intensifying competition in the financial industry, the Bank, under the correct leadership of the Board and the effective supervision of the board of supervisors, has consolidated its foundation, tightened up its management, built a strong head office and proceeded with transformation and development. During the Reporting Period, the Bank was able to maintain relatively fast business growth, implement various reforms steadily, continue transformation and development, strengthen risk management and control, gradually enhance management and substantially improve its comprehensive strength.

During the Reporting Period, the Bank achieved breakthrough in its upgrade and transformation of businesses and our businesses developed faster when compared to 2014. **Corporate business** recorded a steady growth. The design of the top-level structure of commerce and logistics bank was preliminarily completed and the amount of corporate deposits reached RMB122.10 billion, representing a rise of 29.18%. **International business** continued to advance. The Bank established 18 overseas agencies and established cooperation relationships with 28 overseas banks, further expanding its international business channel. **Micro and small enterprise business** recorded another brilliant result. A series of new products was released and 3 micro and small enterprise branches were set up, with the small and micro enterprise loans recording a balance of RMB49.50 billion, ranking the first in Zhengzhou's small and micro enterprise loan market and the third in Henan Province's market. **Personal business** offered wide-ranging and efficient products, including new offerings of "Xin Tian Li (薪添利)" and "Yue Tian Li (月添利)", with the savings deposits recording a balance of RMB47 billion, a growth of 23.80%. **Financial market business** flourished in different aspects: investment banking business succeeded in launching industrial investment fund of RMB4.77 billion while the businesses of financial leasing business, non-standard credit asset securitization, bond underwriting and distribution and registered and issued debt financing tools amounted to RMB1.10 billion, RMB4.97 billion, RMB26.23 billion and RMB7.10 billion respectively, and its business layout began to take shape. The trading volume of bond business reached RMB4.72 trillion, ranking the 37th among national banks, the 10th among city commercial banks and the first among financial institutions in its province. The development of **internet finance** accelerated. The research center for internet finance was set up and the "Ding Rong Yi" (鼎融易) mobile apps was launched, realizing the online reselling business of letters of credit.

Meanwhile, in 2015, the Bank became a member of first-class dealer for open market, a member of the state treasury cash tender for 2015-2017 and a lending and borrowing member the China Foreign Exchange Trade System, with professional qualifications to conduct sale and purchase of forward foreign currencies against RMB and to issue certificates of deposit. As such, the pace of launching new businesses and new products were significantly accelerated, laying a foundation for the improvement of the Bank's customer service and business competitiveness.

As of December 31, 2015, the Group's total assets amounted to RMB265,623 million, representing an increase of RMB61,334 million from the beginning of the year; various balances of deposits amounted to RMB169,195 million, representing an increase of RMB36,634 million from the beginning of the year; various balances of loans amounted to RMB94,294 million, representing an increase of RMB16,308 million from the beginning of the year; non-performing loan ratio was 1.10%, representing an increase by 0.35 bps from the beginning of the year; net profit for 2015 amounted to RMB3,356 million, representing an increase of RMB893 million as compared to the same period last year.

4. FINANCIAL REPORT

Consolidated statement of profit or loss and other comprehensive income
For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**2015**	**2014**
Interest income		12,664,502	9,601,580
Interest expense		(5,757,990)	(4,317,529)
Net interest income	3	6,906,512	5,284,051
Fee and commission income		745,638	382,295
Fee and commission expense		(32,242)	(34,308)
Net fee and commission income	4	713,396	347,987
Net trading gains/ (losses)	5	127,261	(186,412)
Net gains arising from investments	6	26,622	38,042
Other operating income	7	87,460	20,731
Operating income		7,861,251	5,504,399
Operating expenses	8	(2,252,760)	(1,841,737)
Impairment losses on assets	9	(1,297,526)	(497,075)
Operating profit		4,310,965	3,165,587
Share of profits of associates		50,777	37,348
Profit before taxation		4,361,742	3,202,935
Income tax expense	10	(1,006,072)	(739,852)
Net profit for the year		**3,355,670**	**2,463,083**
Net profit attributable to:			
Equity shareholders of the Bank		3,356,371	2,463,083
Non-controlling interests		(701)	—
		3,355,670	2,463,083

Consolidated statement of profit or loss and other comprehensive income
For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Net profit for the year		**3,355,670**	**2,463,083**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
- Available-for-sale financial assets: net movement in the fair value reserve		7,969	7,319
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of net defined benefit liability		(27,767)	(10,000)
Other comprehensive income net of tax		(19,798)	(2,681)
Total comprehensive income		3,335,872	2,460,402
Total comprehensive income attributable to:			
Equity shareholders of the Bank		3,336,573	2,460,402
Non-controlling interests		(701)	—
		3,335,872	2,460,402
Basic and diluted earnings per share (in RMB)	11	0.85	0.62

Consolidated statement of financial position
As at December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
Assets			
Cash and deposits with central bank		33,008,307	33,854,830
Deposits with banks and other financial institutions		7,679,078	1,835,245
Placements with banks and other financial institutions		5,519,560	—
Financial assets at fair value through profit or loss		13,001,517	10,967,367
Financial assets held under resale agreements		9,716,305	6,575,523
Loans and advances to customers		91,604,436	76,226,190
Financial investments:			
Available-for-sale financial assets	12	11,206,015	3,965,181
Held-to-maturity investments	12	23,901,914	22,064,640
Loans and receivables	12	65,105,660	45,502,357
Interest in associates	13	195,625	146,108
Property and equipment		1,604,561	1,158,572
Deferred tax assets		589,143	338,175
Other assets		2,490,968	1,655,021
Total assets		**265,623,089**	**204,289,209**
Liabilities			
Deposits from banks and other financial institutions		21,453,178	32,187,313
Placements from banks and other financial institutions		5,820,236	1,003,095
Financial assets sold under repurchase agreements		19,602,600	15,782,600
Deposits from customers		169,195,471	132,561,375
Tax payable		505,816	260,068
Debt securities issued		27,039,068	8,503,833
Other liabilities		4,182,701	2,585,347
Total liabilities		**247,799,070**	**192,883,631**

Consolidated statement of financial position
As at December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	December 31, 2015	December 31, 2014
Equity		
Share capital	5,141,932	3,941,932
Capital reserve	2,662,564	100,327
Surplus reserve	1,237,793	902,085
General reserve	3,163,200	2,313,200
Fair value reserve	10,405	2,436
Remeasurement of net defined benefit liability	(55,339)	(27,572)
Retained earnings	5,634,285	4,173,170
Total equity attributable to equity shareholders of the Bank	17,794,840	11,405,578
Non-controlling interests	29,179	—
Total equity	**17,824,019**	**11,405,578**
Total liabilities and equity	**265,623,089**	**204,289,209**

Consolidated statement of changes in equity
For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total		
Balance at January 1, 2015	3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578	—	11,405,578
Net profit for the year	—	—	—	—	—	—	3,356,371	3,356,371	(701)	3,355,670
Other comprehensive income	—	—	—	—	7,969	(27,767)	—	(19,798)	—	(19,798)
Total comprehensive income	—	—	—	—	7,969	(27,767)	3,356,371	3,336,573	(701)	3,335,872
Changes in share capital										
— Issue of H-shares	1,200,000	2,562,237	—	—	—	—	—	3,762,237	—	3,762,237
— Non-controlling interests from the establishment of subsidiary	—	—	—	—	—	—	—	—	29,880	29,880
Sub-total	1,200,000	2,562,237	—	—	—	—	—	3,762,237	29,880	3,792,117
Appropriation of profit:										
— Appropriation to surplus reserve	—	—	335,708	—	—	—	(335,708)	—	—	—
— Appropriation to general reserve	—	—	—	850,000	—	—	(850,000)	—	—	—
— Cash dividends	—	—	—	—	—	—	(709,548)	(709,548)	—	(709,548)
Sub-total	—	—	335,708	850,000	—	—	(1,895,256)	(709,548)	—	(709,548)
Balance at December 31, 2015	5,141,932	2,662,564	1,237,793	3,163,200	10,405	(55,339)	5,634,285	17,794,840	29,179	17,824,019

Consolidated statement of changes in equity
For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank									
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at January 1, 2014	3,941,932	100,327	655,777	1,623,200	(4,883)	(17,572)	3,237,685	9,536,466	—	9,536,466
Net profit for the year	—	—	—	—	—	—	2,463,083	2,463,083	—	2,463,083
Other comprehensive income	—	—	—	—	7,319	(10,000)	—	(2,681)	—	(2,681)
Total comprehensive income	—	—	—	—	7,319	(10,000)	2,463,083	2,460,402	—	2,460,402
Appropriation of profit:										
— Appropriation to surplus reserve	—	—	246,308	—	—	—	(246,308)	—	—	—
— Appropriation to general reserve	—	—	—	690,000	—	—	(690,000)	—	—	—
— Cash dividends	—	—	—	—	—	—	(591,290)	(591,290)	—	(591,290)
Sub-total	—	—	246,308	690,000	—	—	(1,527,598)	(591,290)	—	(591,290)
Balance at December 31, 2014	3,941,932	100,327	902,085	2,313,200	2,436	(27,572)	4,173,170	11,405,578	—	11,405,578

Consolidated cash flow statement
For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	2015	**2014**
Cash flows from operating activities		
Profit before tax	4,361,742	3,202,935
Adjustments for:		
Impairment losses on assets	1,297,526	497,075
Depreciation and amortisation	157,282	116,897
Unwinding of discount	(41,776)	(17,075)
Unrealised foreign exchange gains	(19,060)	(2,386)
Net (gains) / losses on disposal of long-term assets	(39,859)	3,026
Net trading (gains) / losses of financial assets at fair value through profit or loss	(28,544)	188,849
Net gains arising from investments	(26,622)	(38,042)
Share of profits of associates	(50,777)	(37,348)
Interest expense on debt securities issued	747,662	288,815
Interest income on financial investments	(5,022,145)	(3,552,121)
	1,335,429	650,625
Changes in operating assets		
Net increase in deposits with central bank	(157,884)	(6,377,805)
Net (increase) / decrease in deposits and placements with banks and other financial institutions	(5,934,188)	3,369,501
Net increase in financial assets at fair value through profit or loss	(2,005,606)	(2,979,745)
Net increase in loans and advances to customers	(16,292,969)	(15,038,437)
Net (increase) / decrease in financial assets held under resale agreements	(3,140,782)	691,832
Net increase in other operating assets	(429,556)	(275,932)
	(27,960,985)	(20,610,586)

Consolidated cash flow statement
For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	2015	**2014**
Changes in operating liabilities		
Net decrease in amounts due to the central bank	—	(175,010)
Net (decrease) / increase in deposits and placements from banks and other financial institutions	(5,916,994)	16,977,669
Net increase in financial assets sold under repurchase agreements	3,820,000	2,292,459
Net increase in deposits from customers	36,634,096	30,464,572
Income tax paid	(1,026,673)	(893,444)
Net increase in other operating liabilities	835,289	740,943
	34,345,718	49,407,189
Net cash flows generated from operating activities	**7,720,162**	**29,447,228**
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	120,048,741	60,025,223
Proceeds from disposal of property and equipment and other assets	52,802	64,505
Payments on acquisition of investments	(148,459,603)	(91,969,724)
Dividends and interest received	4,573,383	3,328,392
Payments on acquisition of property and equipment and other assets	(763,939)	(379,888)
Net cash flows used in investing activities	**(24,548,616)**	**(28,931,492)**

Consolidated cash flow statement
For the year ended December 31, 2015
(Expressed in thousands of Renminbi, unless otherwise stated)

	2015	2014
Cash flows from financing activities		
Proceeds received from issuance of H shares	3,762,237	—
Cash contribution to subsidiaries from minority interests	29,880	—
Proceeds received from debt securities issued	27,571,775	3,500,000
Repayment of debt securities issued	(9,194,242)	(690,000)
Interest paid on debt securities issued	(589,961)	(279,570)
Dividends paid	(715,877)	(578,955)
Other cash flows from financing activities	385,726	—
Net cash flows generated from financing activities	**21,249,538**	**1,951,475**
Net increase in cash and cash equivalents	**4,421,084**	**2,467,211**
Cash and cash equivalents as at January 1	**10,089,462**	**7,619,865**
Effect of foreign exchange rate changes on cash and cash equivalents	**3,714**	**2,386**
Cash and cash equivalents as at December 31	**14,514,260**	**10,089,462**
Net cash flows generated from operating activities include:		
Interest received	7,440,807	6,418,549
Interest paid	(4,301,496)	(3,925,658)

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

Bank of Zhengzhou Co., Ltd. (the "Bank"), formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC") in accordance with the notice of JiyinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province.

The Bank obtained its financial institution license No. B1036H241010001 from the China Banking Regulatory Commission (the "CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the CBRC authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (Stock code: 06196).

The principal activities of the Group includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans and other businesses approved by the banking regulatory authorities under the State Council.

By December 31, 2015, the Bank has established the head office in Zhengzhou, and eight branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe and Xinyang within Henan Province. The Bank operates in Henan Province of the PRC.

2 Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements comprise the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2015, and the consolidated statement of financial position as at 31 December 2015, the consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes (collectively the "**financial statements**"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Notes to the financial statements (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

3 Net interest income

	2015	2014
Interest income arising from		
Deposits with central bank	397,413	328,626
Deposits and placements with banks and other financial institutions	167,224	235,427
Loans and advances to customers		
— Corporate loans and advances	4,281,111	3,416,897
— Personal loans and advances	1,638,629	1,352,805
— Discounted bills	243,148	301,819
Financial assets held under resale agreements	173,454	182,915
Financial investments	5,763,523	3,783,091
Sub-total	12,664,502	9,601,580
Interest expense arising from		
Amounts due to central bank	—	(2,881)
Deposits and placements from banks and other financial institutions	(1,500,215)	(1,121,799)
Deposits from customers	(3,196,241)	(2,549,894)
Financial assets sold under repurchase agreements	(313,872)	(354,140)
Debt securities issued	(747,662)	(288,815)
Sub-total	(5,757,990)	(4,317,529)
Net interest income	**6,906,512**	**5,284,051**
Of which:		
Interest income arising from impaired financial assets identified	41,776	17,075

(1) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.

(2) Total interest income arising from financial assets that are not at fair value through profit or loss for the year ended December 31, 2015 amounted to RMB11,923 million (2014: RMB9,371 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the year ended December 31, 2015 amounted to RMB5,758 million (2014: RMB4,318 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Net fee and commission income

	2015	2014
Fee and commission income		
Agency and custody services fees	332,242	172,711
Underwriting and advisory fees	194,525	43,854
Acceptance and guarantee services fees	136,361	133,111
Settlement and clearing services fees	37,716	3,822
Bank card services fees	32,815	24,784
Others	11,979	4,013
Sub-total	745,638	382,295
Fee and commission expense	(32,242)	(34,308)
Net fee and commission income	713,396	347,987

5 Net trading gains/(losses)

	2015	2014
Net gains / (losses) from debt securities	106,390	(188,849)
Net foreign exchange gains	20,871	2,437
Total	127,261	(186,412)

(1) Net gains / (losses) from debt securities include gains / (losses) arising from the buying and selling of, and changes in the fair value of financial assets held for trading.

(2) Net foreign exchange gains mainly included gains from purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.

(Expressed in thousands of Renminbi, unless otherwise stated)

6 Net gains arising from investments

	2015	2014
Dividends from available-for-sale equity investments	440	360
Net gains on disposal of available-for-sale financial assets	26,182	40,877
Net losses on disposal of held-to-maturity investments	—	(3,195)
Total	26,622	38,042

7 Other operating income

	2015	2014
Rental income	11,534	12,004
Government grants	28,336	5,159
Net gains / (losses) on disposal of property and equipment	39,859	(3,026)
Others	7,731	6,594
Total	87,460	20,731

8 Operating expenses

	Note	2015	2014
Staff costs			
— Salaries, bonuses and allowances		613,984	481,917
— Social insurance and annuity		129,563	104,625
— Supplementary retirement benefits		7,108	37,184
— Staff welfares		115,028	94,223
— Housing allowances		37,789	28,892
— Others		46,004	28,290
Sub-total		949,476	775,131
Depreciation and amortisation		157,282	116,897
Rental and property management expenses		145,450	100,846
Office expenses		77,622	83,891
Business tax and surcharges		423,776	316,085
Other general and administrative expenses	(1)	499,154	448,887
Total		2,252,760	1,841,737

(1) Auditor's remunerations were RMB2.20 million for the year ended December 31, 2015 (2014: RMB1.50 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Impairment losses on assets

	2015	2014
Loans and advances to customers	1,124,585	407,959
Loans and receivables	130,000	89,116
Others	42,941	—
Total	1,297,526	497,075

10 Income tax expense

(1) Income tax for the year:

	2015	2014
Current tax	1,252,757	835,577
Deferred tax	(244,369)	(85,960)
Adjustment for prior years	(2,316)	(9,765)
Total	1,006,072	739,852

(2) Reconciliations between income tax and accounting profit are as follows:

	Note	2015	2014
Profit before tax		4,361,742	3,202,935
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,090,435	800,734
Non-deductible expenses		8,998	6,914
Non-taxable income	(i)	(91,045)	(58,031)
Sub-total		1,008,388	749,617
Adjustment for prior years		(2,316)	(9,765)
Income tax		1,006,072	739,852

(i) Non-taxable income consists of interest income from the PRC government bonds, dividends from domestic companies and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

Notes to the financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

11 Basic and diluted earnings per share

	Note	2015	2014
Net profit attributable to equity shareholders of the Bank		3,356,371	2,463,083
Weighted average number of ordinary shares (in thousands)	(1)	3,971,521	3,941,932
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.85	0.62

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(1) Weighted average number of ordinary shares (in thousands)

	2015	2014
Number of ordinary shares as at January 1	3,941,932	3,941,932
Increase in weighted average number of ordinary shares	29,589	—
Weighted average number of ordinary shares	3,971,521	3,941,932

12 Financial investments

	Note	December 31, 2015	December 31, 2014
Available-for-sale financial assets	(1)	11,206,015	3,965,181
Held-to-maturity investments	(2)	23,901,914	22,064,640
Loans and receivables	(3)	65,105,660	45,502,357
Total		100,213,589	71,532,178

Notes to the financial statements (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

(1) Available-for-sale financial assets

	Note	**December 31, 2015**	**December 31, 2014**
Debt securities at fair value			
— Government		2,834,921	—
— Policy banks		3,886,937	1,179,465
— Banks and other financial institutions		—	1,319,493
— Corporate		115,816	351,403
Sub-total		6,837,674	2,850,361
Debt securities analysed into:			
— Listed outside Hong Kong		2,834,921	—
— Unlisted		4,002,753	2,850,361
Sub-total		6,837,674	2,850,361
Other debt investment			
— Unlisted		4,359,941	1,106,420
Equity investment at cost	(i)		
— Unlisted		8,400	8,400
Total	(ii)	11,206,015	3,965,181

(i) Available-for-sale unlisted equity investments which do not have any quoted price in an active market for an identical instrument and whose fair values cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment.

(ii) As at the end of each of the Reporting Period, certain available-for-sale financial assets was pledged for repurchase agreements (Note 16(6)). No other investments was subject to material restrictions on the realization.

Notes to the financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

(2) Held-to-maturity investments

	Note	December 31, 2015	December 31, 2014
Debt securities			
— Government		8,100,048	4,802,305
— Policy banks		9,662,990	10,173,037
— Banks and other financial institutions		1,042,158	1,038,666
— Corporate		5,096,718	6,050,632
Total		23,901,914	22,064,640
Debt securities analysed into:			
— Listed outside Hong Kong		11,324,541	1,463,550
— Unlisted		12,577,373	20,601,090
Total	(i)	23,901,914	22,064,640

(i) As at the end of each of the Reporting Period, certain held-to-maturity investments was pledged for repurchase agreements(Note 16(6)). No other investments were subject to material restrictions on the realization.

(ii) For the year ended December 31, 2015, the Group has not disposed of any debt securities which are classified as held-to-maturity (For the year ended December 31, 2014, the carrying amount of held-to-maturity securities that were disposed amounted of RMB100 million, which accounted for 0.59% of the total amount of the Group's held-to-maturity investments as at December 31, 2014).

Notes to the financial statements (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

(3) Loans and receivables

	December 31, 2015	December 31, 2014
Investment management products under trust scheme	29,146,231	27,891,700
Investment management products managed by securities companies	31,328,899	17,152,468
Wealth management products issued by financial institutions	800,000	200,000
Others	4,065,543	363,202
Sub-total	65,340,673	45,607,370
Less: Provision for impairment losses		
— Individually assessed	(25,428)	(25,428)
— Collectively assessed	(209,585)	(79,585)
Total provision for impairment losses	(235,013)	(105,013)
Total	65,105,660	45,502,357

13 Investment in subsidiaries and Interest in associates

(1) Investment in subsidiaries

Particulars of the Group's only subsidiary as at the end of the Reporting Period is as follows:

Name	Percentage of equity interest 2015	2014	Voting rights 2015	Paid-in capital 2015	Amount invested by the Bank	Place of incorporation registration and operations	Principal activities
	%	%	%				
Fugou Zhengyin County Bank Co., Ltd.	50.20	—	50.20	60,000	30,120	Henan, China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on December 3, 2015 and has no material non-controlling interest to the Group.

Notes to the financial statements (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

(2) Interest in associates

	December 31, 2015	December 31, 2014
Interest in associates	195,625	146,108
Total	195,625	146,108

The following list contains the Group's associate, all of which are individually immaterial to the Group and are unlisted corporate entity whose quoted market price is not available:

Name	Percentages of equity / voting rights		Place of incorporation / registration	Business sector
	December 31, 2015 %	December 31, 2014 %		
Zhongmu Zhengyin County Bank Co., Ltd.	19.72	19.72	Henan, China	Banking
Xinmi Zhengyin County Bank Co., Ltd.	20.00	20.00	Henan, China	Banking
Yanling Zhengyin County Bank Co., Ltd.	30.00	30.00	Henan, China	Banking

The following table illustrates the aggregate information of the Group's associate that is not individually material:

	December 31, 2015	December 31, 2014
Aggregate carrying amount of the individually immaterial associate in the consolidated statements of financial position of the Group	195,625	146,108
Aggregate amounts of the Group's share of results of the associate		
- Profit from continuing operations	50,777	37,348
- Other comprehensive income	—	—
- Total comprehensive income	50,777	37,348

14 Profit distribution

(1) In accordance with the resolution of the Bank's board of directors meeting held on March 26, 2016, the proposed profit distribution plan for the year ended December 31, 2015 and declared cash dividends of RMB2.00 per ten shares before tax and in an aggregation amount of approximately RMB1,064 million to all existing shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders. The Bank's 2015 Annual General Meeting will be held on June 17, 2016.

(2) In accordance with the resolution of the Bank's 2014 Annual General Meeting held on June 18, 2015, the shareholders approved the profit distribution plan for the year ended December 31, 2014 and declared cash dividends of RMB1.80 per ten shares before tax and in an aggregation amount of approximately RMB710 million to all existing shareholders.

(3) In accordance with the resolution of the Bank's 2013 Annual General Meeting held on June 22, 2014, the shareholders approved the profit distribution plan for the year ended December 31, 2013 and declared cash dividends of RMB1.50 per ten shares before tax and in an aggregation amount of approximately RMB591 million to all existing shareholders.

15 Segment reporting

(1) Business Segment

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade finance and deposit taking activities, agency services, and remittance and settlement services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

Notes to the financial statements (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

Others

These represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income / expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income / expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

	Year ended December 31, 2015				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Operating income					
External net interest income	2,507,005	885,784	3,513,723	—	6,906,512
Internal net interest income / (expense)	635,080	355,203	(990,283)	—	—
Net interest income	3,142,085	1,240,987	2,523,440	—	6,906,512
Net fee and commission income	263,905	65,216	384,275	—	713,396
Net trading gains	—	—	127,261	—	127,261
Net gains arising from investments	—	—	26,622	—	26,622
Other operating income	—	—	—	87,460	87,460
Operating income	3,405,990	1,306,203	3,061,598	87,460	7,861,251
Operating expenses	(1,185,472)	(532,300)	(494,883)	(40,105)	(2,252,760)
Impairment losses on assets	(1,120,166)	(47,360)	(130,000)	—	(1,297,526)
Operating profit	1,100,352	726,543	2,436,715	47,355	4,310,965
Share of profits of associates	—	—	—	50,777	50,777
Profit before taxation	1,100,352	726,543	2,436,715	98,132	4,361,742
Other segment information					
— Depreciation and amortisation	91,756	49,387	16,139	—	157,282
— Capital expenditure	115,953	62,696	29,676	—	208,325

(Expressed in thousands of Renminbi, unless otherwise stated)

	December 31, 2015				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Segment assets	92,492,299	33,121,050	138,268,499	1,152,099	265,033,946
Deferred tax assets					589,143
Total assets					265,623,089
Segment liabilities / Total liabilities	121,873,977	49,903,368	74,846,462	1,175,263	247,799,070
Credit commitments	44,718,520	463,151	—	—	45,181,671

	Year ended December 31, 2014				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Operating income					
External net interest income	2,218,226	680,160	2,385,665	—	5,284,051
Internal net interest income / (expense)	447,180	328,095	(775,275)	—	—
Net interest income	2,665,406	1,008,255	1,610,390	—	5,284,051
Net fee and commission income	135,594	38,538	173,855	—	347,987
Net trading losses	—	—	(186,412)	—	(186,412)
Net gains arising from investments	—	—	38,042	—	38,042
Other operating income	—	—	—	20,731	20,731
Operating income	2,801,000	1,046,793	1,635,875	20,731	5,504,399
Operating expenses	(1,112,468)	(520,141)	(178,721)	(30,407)	(1,841,737)
Impairment losses on assets	(411,033)	3,074	(89,116)	—	(497,075)
Operating profit / (losses)	1,277,499	529,726	1,368,038	(9,676)	3,165,587
Share of profits of associates	—	—	—	37,348	37,348
Profit before taxation	1,277,499	529,726	1,368,038	27,672	3,202,935
Other segment information					
— Depreciation and amortisation	70,556	34,725	11,616	—	116,897
— Capital expenditure	281,543	138,563	46,353	—	466,459

(Expressed in thousands of Renminbi, unless otherwise stated)

	December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	78,921,011	31,839,464	92,555,824	634,735	203,951,034
Deferred tax assets					338,175
Total assets					204,289,209
Segment liabilities / Total liabilities	94,377,121	40,016,853	58,201,623	288,034	192,883,631
Credit commitments	30,021,414	94,439	—	—	30,115,853

16 Commitments and contingent liabilities

(1) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit, letters of guarantees and unused credit card limits.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	December 31, 2015	December 31, 2014
Bank acceptances	41,388,973	26,564,477
Letters of credit	2,294,599	2,618,342
Letters of guarantees	1,034,947	838,595
Unused credit card commitments	463,152	94,439
Total	45,181,671	30,115,853

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(Expressed in thousands of Renminbi, unless otherwise stated)

(2) Credit risk-weighted amount

	December 31, 2015	December 31, 2014
Credit risk-weighted amount of contingent liabilities and commitments	13,965,648	9,171,844

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

(3) Operating lease commitments

As at December 31, 2015 and 2014, the future minimum lease payments under non-cancellable operating leases for properties of the Group are as follows:

	December 31, 2015	December 31, 2014
Within one year (inclusive)	55,941	39,222
After one year but within five years (inclusive)	164,642	122,188
After five years	126,891	54,848
Total	347,474	216,258

(4) Capital commitments

As at December 31, 2015 and 2014, the authorised capital commitments of the Group are as follows:

	December 31, 2015	December 31, 2014
Contracted but not paid for	133,239	27,669
Approved but not contracted for	173,411	45,230
Total	306,650	72,899

(5) Outstanding litigations and disputes

As at December 31, 2015 and 2014, there are no significant legal proceedings outstanding against the Group.

Notes to the financial statements (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

(6) Pledged assets

	December 31, 2015	**December 31, 2014**
Debt securities	20,332,689	16,066,013
Total	20,332,689	16,066,013

Some of the Group's assets are pledged as collateral under repurchase agreements.

5. MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Analysis of Financial Statements

5.1.1 Analysis of income statement

	For the year ended December 31,			
	2015	2014	Change	Rate of change (%)
	(Expressed in millions of Renminbi, unless otherwise stated)			
Interest income	12,664	9,602	3,062	31.89
Interest expense	(5,758)	(4,318)	(1,440)	33.35
Net interest income	**6,906**	**5,284**	**1,622**	**30.70**
Fee and commission income	745	382	363	95.03
Fee and commission expense	(32)	(34)	2	(5.88)
Net fee and commission income	**713**	**348**	**365**	**104.89**
Net trading gain/(loss)	127	(186)	313	(168.28)
Net gains arising from investments	27	38	(11)	(28.95)
Other operating income	88	21	67	319.05
Operating income	**7,861**	**5,505**	**2,356**	**42.80**
Operating expenses	(2,252)	(1,842)	(410)	22.26
Impairment losses on assets	(1,298)	(497)	(801)	161.17
Operating profit	**4,311**	**3,166**	**1,145**	**36.17**
Share of profits of associates	51	37	14	37.84
Profit before taxation	**4,362**	**3,203**	**1,159**	**36.18**
Income tax expense	(1,006)	(740)	(266)	35.95
Net profit	**3,356**	**2,463**	**893**	**36.26**
Net profit attributable to:				
Equity shareholders of the Bank	3,357	2,463	894	36.30
Non-controlling interests	(1)	—	(1)	N/A

In 2015, the Group recorded profit before taxation and net profit of RMB4,362 million and RMB3,356 million, representing an increase of 36.18% and 36.26% as compared to the same period last year, respectively.

5.1.1.1 Net interest income, net interest spread and net interest margin

In 2015, the Group recorded net interest income of RMB6,906 million, representing an increase of RMB1,622 million or 30.70% as compared to the same period last year. Among this, a net interest income growth of RMB1,738 million was attributable to the expansion of the Group's business scale and a decline in net interest income of RMB116 million was attributable to the changes in yield or cost rate.

The following tables set forth, for the periods indicated, the average balance of the Group's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost of these interest-bearing liabilities.

	For the year ended December 31					
	2015			2014		
	Average balance[(6)]	Interest income	Average yield (%)	Average balance[(6)]	Interest income	Average yield (%)
	(Expressed in millions of Renminbi, unless otherwise stated)					
Interest-earning assets						
Loans and advances to customers	86,791	6,163	7.10	71,804	5,072	7.06
Investment securities and other financial assets [(1)]	96,010	5,764	6.00	57,843	3,783	6.54
Deposits with central bank	25,627	397	1.55	21,030	329	1.56
Amounts due from banks and other financial institutions [(2)]	12,631	340	2.69	8,938	418	4.68
Total interest-earning assets	**221,059**	**12,664**	**5.73**	**159,615**	**9,602**	**6.02**

	For the year ended December 31,					
	2015			2014		
	Average balance[(6)]	Interest expense	Average cost (%)	Average balance[(6)]	Interest expense	Average cost (%)
	(Expressed in millions of Renminbi, unless otherwise stated)					
Interest-bearing liabilities						
Deposits from customers	145,677	3,196	2.19	111,195	2,550	2.29
Amounts due to banks and other financial institutions [(3)]	43,532	1,814	4.17	29,608	1,476	4.99
Debt securities issued	17,622	748	4.24	5,862	289	4.93
Amounts due to central bank	—	—	N/A	68	3	4.41
Total interest-bearing liabilities	**206,831**	**5,758**	**2.78**	**146,733**	**4,318**	**2.95**
Net interest income		**6,906**			**5,284**	
Net interest spread [(4)]			**2.95**			**3.07**
Net interest margin [(5)]			**3.12**			**3.31**

Notes:

(1) Consists of our financial assets at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments, and financial investments classified as loans and receivables.

(2) Consists of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.

(3) Consist of deposits and placements from banks and other financial institutions and financial asset sold under repurchase agreements.

(4) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.

(5) Calculated by dividing net interest income by the average balance of total interest-earning assets, calculated based on the daily average of the interest-earning assets.

(6) Calculated as the average of the daily balances.

The following table sets out, for the periods indicated, the changes in the Group's interest income and interest expense attributable to changes in volume and rate. Changes in volume are measured by changes in the average balances of the Group's interest-earning assets and interest-bearing liabilities and changes in rate are measured by changes in the average rate of the Group's interest-earning assets and interest-bearing liabilities. Effects of changes caused by both volume and rate have been allocated to changes in rate.

	For the year ended December 31 2015 vs. 2014		
	Increase/(decrease) due to		Net increase/
	Volume(1)	Rate(2)	(decrease)(3)
	(Expressed in millions of RMB)		
Interest-earning assets			
Loans and advances to customers	1,059	32	1,091
Investment securities and other financial assets	2,496	(515)	1,981
Deposits with central bank	72	(4)	68
Amounts due from banks and other financial institutions	173	(251)	(78)
Changes in interest income	**3,800**	**(738)**	**3,062**
Interest-bearing liabilities			
Deposits from customers	791	(145)	646
Amounts due to banks and other financial institutions	694	(356)	338
Debt securities issued	580	(121)	459
Amounts due to central bank	(3)	—	(3)
Change in interest expense	**2,062**	**(622)**	**1,440**

Notes:

(1) Represents the daily average balance for the year minus the daily average balance for the previous year, multiplied by the average yield/cost for the previous year.

(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the daily average balance for the year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

5.1.1.2 Interest income

In 2015, the Group's interest income increased by RMB3,062 million or 31.89% to RMB12,664 million as compared to the same period last year, which was primarily attributable to (i) the increase in the volume for loans and advances to customers, (ii) the increase in the volume of investment securities and other financial assets.

5.1.1.2.1 Interest income from loans and advances to customers

In 2015, interest income from loans and advances to customers of the Group increased by RMB1,091 million or 21.51% to RMB6,163 million as compared to the same period last year, primarily as a result of the increase in average balance of loans and advances to customers, which in turn was primarily attributable to the overall growth of the Group's loan business.

The following table sets out, for the periods indicated, the average balance, interest income and average yield for each component of the Group's loans and advances to customers.

	2015			2014		
	Average balance	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
	(Expressed in millions of Renminbi, unless otherwise stated)					
Corporate loans	59,117	4,281	7.24	47,757	3,417	7.15
Personal loans	22,698	1,639	7.22	18,776	1,353	7.21
Discounted bills	4,976	243	4.88	5,271	302	5.73
Total loans and advances to customers	**86,791**	**6,163**	**7.10**	**71,804**	**5,072**	**7.06**

5.1.1.2.2 Interest income from investment securities and other financial assets

In 2015, interest income from investment in securities and other financial assets of the Group increased by RMB1,981 million or 52.37% to RMB5,764 million as compared to the same period last year, principally attributable to the increase in average balance of investment in securities and other financial assets. The increase in the average balance of investment in securities and other financial assets was primarily attributable to the increase in holding of debt securities issued by corporate issues, investment products under trust schemes and investment products managed by securities companies, which had higher yield. The decline in average yield was attributable to the fluctuation of market interest rate.

5.1.1.2.3 Interest income from balances with central bank

In 2015, interest income from balances with central bank of the Group increased by RMB68 million or 20.67% to RMB397 million as compared with the same period last year, primarily attributable to the increase in the average balance of cash and balances with central bank year by year, and among which, primarily the increase in statuary deposit reserve along with the growth of deposits from customers.

5.1.1.2.4 Interest income from amounts due from banks and other financial institutions

In 2015, interest income from amounts due from banks and other financial institutions of the Group decreased by RMB78 million or 18.66% to RMB340 million as compared with the same period last year, primarily attributable to the increase in the average balance and the decline in average yield. The increase in the average balance of these assets was primarily attributable to the increase in the amounts due from banks and other financial institutions, whereas the change in average yield was primarily attributable to the decline in market interest rate, which reflected the increase in market liquidity.

5.1.1.3 Interest expense

In 2015, the Group's interest expense increased by RMB1,440 million or 33.35% to RMB5,758 million as compared to the same period last year, primarily attributable to (i) the increase in the volume of deposits from customers, (ii) the increase in the volume of amounts due to banks and other financial institutions, (iii) the increase in the volume of debt securities issued.

5.1.1.3.1 Interest expense on Deposits from Customers

In 2015, the Group's interest expense on deposits from customers increased by RMB646 million or 25.33% to RMB3,196 million as compared to the same period last year, primarily attributable to the continuous growth of the Group's deposit business and the increase in the proportion of term deposits. The growth of average balance of total deposits from customers primarily reflects the overall business growth and the expansion of branch network of the Group, while the decline in the average cost of deposits from customers were primarily attributable to the downward adjustment of benchmark rate.

	For the year ended December 31,					
	2015			2014		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
	(Expressed in millions of RMB, except percentages)					
Corporate deposits						
Demand	51,137	277	0.54	40,037	252	0.63
Time	29,264	1,225	4.19	19,598	902	4.60
Subtotal	80,401	1,502	1.87	59,635	1,154	1.94
Personal deposits						
Demand	10,750	47	0.44	9,528	47	0.49
Time	31,239	1,149	3.68	23,211	849	3.66
Subtotal	41,989	1,196	2.85	32,739	896	2.74
Others	**23,287**	**498**	**2.14**	**18,821**	**500**	**2.66**
Total deposits from customers	**145,677**	**3,196**	**2.19**	**111,195**	**2,550**	**2.29**

5.1.1.3.2 Interest expense on amounts due to banks and other financial institutions

In 2015, the Group's interest expense on amounts due to banks and other financial institutions increased by RMB338 million or 22.90% to RMB1,814 million as compared with the same period last year, primarily attributable to the increase in the average balance of the amounts due to banks and other financial institutions and the decline in the average cost. The increase in the average balance of the amounts due to banks and other financial institutions primarily reflected the Group's comprehensive consideration of the need to match assets and liabilities by increasing liabilities from banks, while the decline in the average cost was primarily because of the increase in market liquidity and the decline in interest rate resulted from the successive downward adjustments of interest rate by the People's Bank of China.

5.1.1.3.3 Interest expense on debt securities issued

In 2015, the Group's interest expense on debt securities issued increased by RMB459 million or 158.82% to RMB748 million as compared with the same period last year. Debt securities issued included (i) the issuance of fixed rate financial bonds on May 16, 2013, (ii) the issuance of fixed rate tier-two capital bonds on December 12, 2014, and (iii) the issuance of interbank certificates of deposit for 2015, which was primarily attributable to the increase in average balance of debt securities issued and the decline in the average cost. The average balance of the debt securities issued increased primarily because of the issuance of interbank certificates of deposit for 2015, leading to an increase in the average balance of debt securities issued from RMB5,862 million as of 2014 by 200.61% to RMB17,622 million as of 2015. The decline in the average cost was primarily attributable to the increase in liquidity and the decline in market interest rate given the successive downward interest rate by the People's Bank of China.

5.1.1.3.4 Net interest spread and net interest margin

The Group's net interest spread decreased from 3.07% for last year to 2.95% for the current year, while the Group's net interest margin decreased from 3.31% for last year to 3.12% for the current year. The declines in net interest spread and net interest margin were primarily attributable to (i) the decline in the average yield of investment in securities and other financial assets and Amounts due from banks and other financial institutions; (ii) the decline of the proportion of loans and advances to customers with higher yield to total assets; and (iii) the increase in the amount Amounts due to banks and other financial institutions, which was of higher interest rate, as well as the proportion of debt securities issued to total liabilities.

5.1.1.4 Non-interest income

5.1.1.4.1 Net fee and commission income

In 2015, the Group's net fee and commission income increased by RMB365 million or 104.89% to RMB713 million as compared with the same period last year, primarily attributable to the increase in fee and commission income, which in turn reflected the overall growth of the Group's fee and commission businesses.

	For the year ended December 31			
	2015	2014	Change	Rate of change %
	(Expressed in millions of Renminbi, unless otherwise stated)			
Fee and commission income				
Agency and custody services fees	332	172	160	93.02
Underwriting and advisory fees	194	44	150	340.91
Acceptance and guarantee services fees	136	133	3	2.26
Settlement and clearing services fees	38	4	34	850.00
Bank card services fees	33	25	8	32.00
Others	12	4	8	200.00
Fee and commission expense	**(32)**	**(34)**	**2**	**(5.88)**
Net fee and commission income	**713**	**348**	**365**	**104.89**

In 2015, the Group's agency and custody services fees income reached RMB332 million, up RMB160 million or 93.02% as compared with the same period last year, primarily attributable to the Group's continuous development of agency and custodian business with increase in the scale of agency and custodian services offered.

The Group realized securities underwriting and consultancy business fee income of RMB194 million for 2015, up by RMB150 million or 340.91% as compared with the same period last year, primarily as a result of the increase in scale of consultancy services offered and the number of bonds underwritten.

The Group realized acceptance and guarantee fee of RMB136 million for 2015, up by RMB3 million as compared with the same period last year.

In 2015, the Group realized Settlement and clearing services fees income of RMB38 million, up RMB34 million or 850% as compared with the same period last year, primarily attributable to the significant increase in factoring fee income.

In 2015, the Group's Bank card services fees income was RMB33 million, up RMB8 million or 32% as compared with the same period last year, primarily attributable to the increase in the number of bank cards issued and the growth in transaction amount using the Group's bank cards.

Other fees and commission income amounted to RMB12 million, up RMB8 million or 200% as compared with the same period last year.

5.1.1.4.2 Net trading gain

In 2015, the Group's net trading gain increased by RMB313 million to RMB127 million as compared with the same period last year, primarily attributable to the expansion of the Group's trading assets portfolio and the increase in the trading volume of the Group.

5.1.1.4.3 Net income on financial assets

In 2015, the Group's net income on financial assets decreased by RMB11 million or 28.95% to RMB27 million as compared with the same period last year, primarily attributable to the adjustment of investment structure according to the bond market conditions.

5.1.1.4.4 Other operating income

In 2015, the Group's other operating income increased by RMB67 million or 319.05% to RMB88 million as compared with the same period last year.

5.1.1.5 Operating expenses

In 2015, the Group's operating expenses increased by RMB410 million or 22.26% to RMB 2,252 million as compared with the same period last year primarily attributable to growth in staff costs and business tax and surcharges.

	For the year ended December 31,			
	2015	2014	Change in amount	Rate of change %
	(Expressed in millions of Renminbi, unless otherwise stated)			
Staff costs	949	775	174	22.45
Depreciation and amortisation	157	117	40	34.19
Rental and property management expenses	145	101	44	43.56
Office expenses	78	84	(6)	(7.14)
Business tax and surcharges	424	316	108	34.18
Other general and administrative expenses	499	449	50	11.14
Total operating expenses	**2,252**	**1,842**	**410**	**22.26**

The following table shows the major components of staff costs for the periods indicated.

	For the year ended December 31			
	2015	2014	Change	Rate of change %
	(Expressed in millions of Renminbi, unless otherwise stated)			
Staff costs				
Salaries, bonuses and allowances	614	482	132	27.39
Social insurance and annuity	129	105	24	22.86
Staff welfare	115	94	21	22.34
Housing allowances	38	29	9	31.03
Supplementary retirement benefits	7	37	(30)	(81.08)
Others	46	28	18	64.29
Total staff costs	**949**	**775**	**174**	**22.45**

In 2015, the staff costs of the Group were RMB949 million, up RMB174 million or 22.45% as compared with the same period last year, primarily attributable to the increase in salary, bonus and staff allowance. Staff costs represented the largest component of the Group's operating expenses, and accounted for 42.14% and 42.07% of the total operating expenses in 2015 and 2014.

In 2015, depreciation and amortisation expenses were RMB157 million, up RMB40 million or 34.19% as compared with the same period last year, primarily as a result of the increase in the provision for depreciation and amortisation of fixed assets and intangible assets given the expansion of branch network and upgrading of information technology.

In 2015, rental and property management expenses were RMB145 million, up RMB44 million or 43.56%, primarily attributable to the expansion of branch network.

In 2015, work expenses were RMB78 million, down RMB6 million or 7.14% as compared with the same period last year, primarily as a result of the Group's efforts on reducing operating fees.

In 2015, the Group's business tax and surcharges were RMB424 million, up RMB108 million or 34.18% as compared with the same period last year, primarily attributable to the increase in the operating income subject to business tax and surcharges.

In 2015, other general and administrative expenses were RMB499 million, up RMB50 million or 11.14% as compared with the same period last year. Other general and administrative expenses primarily included entertainment fees, marketing expenses, postal and telecommunication expenses, travelling expenses, assets disposal fees and certain other fees.

5.1.1.6 Impairment losses

In 2015, the Group's impairment losses increased by RMB801 million or 161.17% to RMB 1,298 million as compared with the same period last year, primarily attributable to the increase in the provision for impairment losses of Loans and advances to customers.

	For the year ended December 31			
	2015	2014	Change	Rate of change %
	(Expressed in millions of Renminbi, unless otherwise stated)			
Loans and advances to customers	1,125	408	717	175.74
Financial investments classified as loans and receivables	130	89	41	46.07
Others	43	–	43	N/A
Total provision for assets impairment losses	**1,298**	**497**	**801**	**161.17**

5.1.1.7 Income tax expenses

In 2015, the Group's income tax increased by RMB266 million or 35.95% to RMB1,006 million, which was primarily attributable to the increase in the Group's Profit before taxation.

	For the year ended December 31			
	2015	2014	Change	Rate of change %
	(Expressed in millions of Renminbi, unless otherwise stated)			
Current income tax	1,252	836	416	49.76
Deferred income tax	(244)	(86)	(158)	183.72
Adjustments for prior years	(2)	(10)	8	(80.00)
Total income tax expenses	**1,006**	**740**	**266**	**35.95**

5.1.2 Analysis of key items of financial position

5.1.2.1 Assets

As at December 31, 2015, the Group's total assets increased by RMB61,334 million or 30.02% to RMB265,623 million from the end of last year. The principal components of the Group's assets consist of (i) loans to customers (net) and (ii) investment securities and other financial assets, up by RMB15,378 million and RMB30,716 million respectively compared with the end of last year.

The following table sets forth, as at the dates indicated, the components of the Group's total assets.

	As at December 31,			
	2015		**2014**	
	Amount	**% of total**	**Amount**	**% of total**
	(Expressed in millions of Renminbi, unless otherwise stated)			
Gross loans to customers	94,294		77,986	
Allowance for impairment losses	(2,690)		(1,760)	
Loans to customers, net	91,604	34.49	76,226	37.31
Investment securities and other financial assets	113,215	42.62	82,499	40.38
Cash and deposits with central bank	33,008	12.43	33,855	16.57
Deposits with banks and other financial institutions	7,679	2.89	1,835	0.90
Placements with banks and other financial institutions	5,520	2.08	–	–
Financial assets held under resale agreements	9,716	3.66	6,576	3.22
Other assets	4,881	1.83	3,298	1.62
Total assets	**265,623**	**100.00**	**204,289**	**100.00**

5.1.2.1.1 Loans to Customers

As at December 31, 2015, the Group's total loans to customers increased by RMB16,308 million to RMB94,294 million, representing an increase of 20.91% as compared with the end of last year. Our loans to customers consist primarily of corporate loans, personal loans and discounted bills.

The following table sets forth, as at the dates indicated, a breakdown of the Group's loans by business line.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Corporate loans	67,009	71.07	51,671	66.26
Personal loans	22,842	24.22	21,395	27.43
Discounted bills	4,443	4.71	4,920	6.31
Total loans to customers	**94,294**	**100.00**	**77,986**	**100.00**

(1) Corporate loans

The corporate loans are the largest component of the Group's loan portfolio. As at December 31, 2015, the Group's corporate loans increased by RMB15,338 million to RMB67,009 million or 71.07% of the Group's total loans to customers, representing an increase of 29.68% as compared with the end of last year, mainly due to (i) the Group's continued commitment to meet the capital requirements of the rapidly-growing wholesale and retail industry and to develop the loan business for small and micro enterprises, (ii) the Group's efforts to continue to strengthen the business cooperation with core quality clients in various sectors to sustain the growth of the relevant loan balance.

The following table sets forth, as at the dates indicated, a breakdown of the Group's corporate loans by collateral.

	As at December 31,			
	2015		2014	
	Loan amount	% of total	Loan amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Unsecured loans	783	1.17	2,444	4.73
Guaranteed loans	32,212	48.07	28,255	54.68
Loans secured by mortgages	18,510	27.62	11,631	22.51
Loans secured by pledges	15,504	23.14	9,341	18.08
Total corporate loans	**67,009**	**100.00**	**51,671**	**100.00**

(2) Personal loans

As at December 31, 2015, the Group's personal loans increased by RMB1,447 million to RMB22,842 million, representing an increase of 6.76% as compared with the end of last year. The continued growth of the Group's personal loans was mainly attributable to the growth of the Group's personal consumption and business loans, reflecting the increase in the Group's credit support for the personal consumption loan business and owner of small enterprises.

The following table sets forth, as at the dates indicated, a breakdown of the Group's personal loans by product type.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Personal business loans	12,025	52.65	11,352	53.07
Personal residential mortgage loans	5,828	25.51	6,047	28.26
Personal consumption loans	3,710	16.24	2,823	13.19
Auto loans	772	3.38	1,105	5.16
Credit card balances	507	2.22	68	0.32
Total personal loans	**22,842**	**100.00**	**21,395**	**100.00**

As at December 31, 2015, personal business loans, personal consumption loans and credit card balances increased as compared with the end of last year, representing an increase of 5.93%, 31.42% and 645.59%, respectively.

(3) Discounted bills

As at December 31, 2015, the Group's discounted bills decreased by RMB477 million to RMB4,443 million, representing a decrease of 9.70% as compared with the end of last year. In 2015, the Group flexibly adjusted the scale of bill financing according to the business development requirements and clients' financing needs.

5.1.2.1.2 Investment securities and other financial assets

As at December 31, 2015, the total amount of the Group's investment securities and other financial assets increased by RMB30,716 million to RMB113,215 million, representing an increase of 37.23% as compared with the end of last year. The increase in such assets of the Group for 2015 was mainly due to the increase in our holding of investment products managed by securities companies, debt securities and investment products under trust schemes, reflecting the Group's continued efforts to diversify our investment portfolio to expand income sources.

The following table sets forth, as at the dates indicated, a breakdown of the Group's investment securities and other financial assets by investment intentions.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Investments classified as loans and receivables	65,106	57.51	45,502	55.15
Held-to-maturity investments	23,902	21.11	22,065	26.75
Available-for-sale financial assets	11,206	9.90	3,965	4.81
Financial assets at fair value through profit or loss	13,001	11.48	10,967	13.29
Total investment securities and other financial assets	**113,215**	**100.00**	**82,499**	**100.00**

Our investment securities and other financial assets are classified into fixed-income securities and equity instruments. During the Reporting Period, substantially all of our investment securities and other financial assets were fixed-income securities. The following table sets forth, as at the dates indicated, the distribution of the Group's investment securities and other financial assets by fixed-income securities and equity instruments.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Government bonds	11,982	10.56	7,159	8.67
Debt securities issued by policy banks	21,228	18.71	16,191	19.60
Debt securities issued by banks and other financial institutions	3,048	2.69	2,386	2.89
Debt securities issued by corporate issuers	7,483	6.60	10,146	12.28
Subtotal	43,741	38.56	35,882	43.44
Investment products under trust schemes	29,146	25.69	27,892	33.77
Investment products managed by securities companies	31,329	27.62	17,152	20.77
Others	9,226	8.13	1,670	2.02
Total	113,442	100.00	82,596	100.00
Less: allowance for impairment losses	(235)		(105)	
Total fixed-income instruments	113,207		82,491	
Equity instruments	8		8	
Total Investment securities and other financial assets	**113,215**		**82,499**	

As at December 31, 2015, the Group's fixed-income securities totaled RMB113,207 million, an increase by RMB30,716 million or 37.24% as compared with the end of last year. The continued growth of the fixed-income securities held by the Group was mainly attributable to the increase in the bonds held by the Group, investment products under trust schemes and investment products managed by securities companies.

5.1.2.1.3 Other components of the Group's assets

Other components of the Group's assets primarily consist of (i) cash and deposits with central bank, (ii) deposits and placements with banks and other financial institutions and (iii) financial assets held under resale agreements.

As at December 31, 2015, the Group's cash and deposits with central bank decreased by RMB847 million to RMB33,008 million, representing a decrease of 2.50% as compared with the end of last year, mainly due to the lowering in reserve requirement ratio by the People's Bank of China.

As at December 31, 2015, the Group's deposits and placements with banks and other financial institutions increased by RMB11,364 million to RMB13,199 million, representing an increase of 619.29% as compared with the end of last year, mainly due to the increase in deposits and placements with banks under our foreign currency business.

As at December 31, 2015, the Group's financial assets held under resale agreements increased by RMB3,140 million to RMB9,716 million, representing an increase of 47.75% as compared with the end of last year. The changes in such assets were mainly attributable to adjustments made by the Group after taking into consideration the need for assets and liabilities matching and the changes in market liquidity.

5.1.2.2 Liabilities

As at December 31, 2015, the Group's total liabilities increased by RMB54,915 million to RMB247,799 million, representing an increase of 28.47% as compared with the end of last year.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Deposits from customers	169,195	68.28	132,561	68.73
Deposits from banks and other financial institutions	21,453	8.66	32,187	16.69
Placements with banks and other financial institutions	5,820	2.35	1,003	0.52
Financial assets sold under repurchase agreements	19,603	7.91	15,783	8.18
Debt securities issued	27,039	10.91	8,504	4.41
Other liabilities(1)	4,689	1.89	2,846	1.47
Total liabilities	**247,799**	**100.00**	**192,884**	**100.00**

Note:

(1) Consists of interest payables, payment and collection clearance accounts, tax payable, accrued staff costs, dormant accounts, dividend payable, provisions, and certain other liabilities.

5.1.2.2.1 Deposits from customers

As at December 31, 2015, the Group's deposits from customers increased by RMB36,634 million to RMB169,195 million, representing an increase of 27.64% as compared with the end of last year. The increase in the Group's deposits from customers was primarily attributable to the general business growth of the Group and the expansion of our branch network.

The following table sets forth, as at the dates indicated, the Group's deposits from customers by product type and maturity profile of deposits.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Corporate deposits				
Demand	62,771	37.10	49,757	37.54
Time	34,241	20.24	24,368	18.38
Subtotal	97,012	57.34	74,125	55.92
Personal deposits				
Demand	12,976	7.67	10,603	8.00
Time	34,106	20.16	27,420	20.68
Subtotal	47,082	27.83	38,023	28.68
Others	25,101	14.83	20,413	15.40
Total	**169,195**	**100.00**	**132,561**	**100.00**

5.1.2.2.2 Deposits from banks and other financial institutions

As at December 31, 2015, the deposits from banks and other financial institutions decreased by RMB10,734 million to RMB21,453 million, representing a decrease of 33.35% as compared with the end of last year. The decrease in such deposits mainly reflected other sufficient capital sources of the Group other than the deposits from banks and other financial institutions.

5.1.2.2.3 Placements with banks and other financial institutions

Placements with banks and other financial institutions mainly consisted of borrowings from the currency market. As at December 31, 2015, the balance of placements with banks and other financial institutions of the Group increased by RMB4,817 million to RMB5,820 million, representing an increase of 480.26% as compared with the end of last year. The changes in the placements with banks and other financial institutions mainly reflected the changes in the Group's liquidity requirements.

5.1.2.2.4 Financial assets sold under repurchase agreements

As at December 31, 2015, the Group's financial assets sold under repurchase agreements increased by RMB3,820 million to RMB19,603 million, representing an increase of 24.20% as compared with the end of last year. The changes in the Group's financial assets sold under repurchase agreements reflected adjustments to the proportion of financial assets sold under repurchase agreements to the Group's liabilities based on market liquidity and the Group's capital needs after taking into consideration the need for assets and liabilities matching.

5.1.2.3 Shareholders' Equity

As at December 31, 2015, the Bank's shareholders' equity increased by RMB6,419 million to RMB17,824 million, representing an increase of 56.28% as compared with the end of last year. As at December 31, 2015, equity attributable to shareholders of the parent company increased by RMB6,390 million to RMB17,795 million, representing an increase of 56.03% as compared with the end of last year. The increase in shareholders' equity was mainly due to the increase in the Group's profits and the proceedings of the initial public offering.

	As at December 31,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(Expressed in millions of Renminbi, unless otherwise stated)			
Share capital	5,142	28.85	3,942	34.56
Capital reserve	2,662	14.93	100	0.88
Surplus reserve	1,238	6.95	902	7.91
General reserve	3,163	17.75	2,313	20.28
Investment revaluation reserve	11	0.06	2	0.02
Deficit on remeasurement of net defined benefit liability	(55)	(0.31)	(27)	(0.24)
Retained earnings	5,634	31.61	4,173	36.59
Total equity attributable to shareholders of the Bank	**17,795**	**99.84**	**11,405**	**100.00**
Non-controlling interests	29	0.16	–	–
Total equity	**17,824**	**100.00**	**11,405**	**100.00**

5.1.3 Off-balance Sheet Commitments

The following table sets forth, as at the dates indicated, the contractual amounts of the Group's off-balance sheet credit commitments.

	As at December 31, 2015	2014
	(Expressed in millions of Renminbi)	
Credit commitments:		
Bank acceptances	41,389	26,565
Letters of credit	2,295	2,618
Letters of guarantees	1,035	839
Unused credit card commitments	463	94
Total	**45,182**	**30,116**

In addition, as at December 31, 2015, there was no material litigation in which either the Group or subsidiaries of the Group is a defendant. As at the announcement date, the Group had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in note "Commitments and contingent liabilities" in the financial statements.

5.1.4 Analysis on Loan Quality

During the Reporting Period, the Group continued to strengthen credit risk management, improve credit investigation and credit approvals and strengthen post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so that the loan quality was generally kept at a manageable level. However, due to continued economic downturn, steady growth was hard to maintained; and high pressure of the adjusting structure led to overcapacity; while insufficient valid demands led to insufficient internal drive for economic growth. As a result, the economy showed no sign of bottoming in the short term.

As at December 31, 2015, the balance of non-performing loans amounted to RMB1,040 million. The non-performing loan ratio was 1.10%, up 35 bps as compared with the end of last year.

5.1.4.1 Distribution of Loans by Five-Category Loan Classification

The following table sets forth, as at the dates indicated, the Group's loans to customers by the Group's five-category loan classification.

	Aa of December 31,			
	2015		2014	
	Amount	**% of total**	**Amount**	**% of total**
	(Expressed in millions of Renminbi, unless otherwise stated)			
Normal	91,079	96.59	76,263	97.79
Special mention	2,175	2.31	1,140	1.46
Substandard	869	0.92	483	0.62
Doubtful	171	0.18	100	0.13
Loss	–	–	–	–
Total loans to customers	**94,294**	**100.00**	**77,986**	**100.00**
Non-performing loans and non-performing loan ratio(1)	**1,040**	**1.10**	**583**	**0.75**

Note:

(1) Calculated by dividing total non-performing loans by total loans to customers.

According to the five-category loan classification system, the Group classified its non-performing loans into substandard, doubtful and loss categories.

5.1.4.2 Distribution of Loans and Non-Performing Loans by Product Type

The following table sets forth, as at the dates indicated, the Group's loans and non-performing loans by product types.

	As at December 31,							
	2015				2014			
	Amount	% of total	NPL Amount	NPL ratio (%)	Amount	% of total	NPL Amount	NPL ratio (%)
	(Expressed in millions of Renminbi, unless otherwise stated)							
Corporate loans								
Short-term loans	48,225	51.15	815	1.69	40,520	51.95	468	1.15
Medium and long-term loans	18,784	19.92	175	0.93	11,151	14.30	100	0.90
Discounted bills	4,443	4.71	–	–	4,920	6.31	–	–
Subtotal	71,452	75.78	990	1.39	56,591	72.56	568	1.00
Personal loans								
Personal business loans	12,025	12.75	38	0.32	11,352	14.56	14	0.12
Residential mortgage	5,828	6.18	2	0.03	6,047	7.75	1	0.02
Personal consumption loans	3,710	3.93	9	0.24	2,823	3.62	–	–
Auto loans	772	0.82	–	–	1,105	1.42	–	–
Credit card	507	0.54	1	0.20	68	0.09	–	–
Other	–	–	–	N/A	–	–	–	N/A
Subtotal	22,842	24.22	50	0.22	21,395	27.44	15	0.07
Total	**94,294**	**100.00**	**1,040**	**1.10**	**77,986**	**100.00**	**583**	**0.75**

In 2015, the Group actively responded to the national policies by strengthening the adjustment of loans structure and continuing to develop microcredit business (corporate loans to small enterprises and personal loans). At the end of the Reporting Period, the NPL ratio of corporate loans rose to 1.39% due to the fact that continued economic downturn has adversely affected the operation of enterprises in general as evidenced by serious overcapacity, relatively high pressure in destocking and decrease in both sales volume and prices, making it difficult for enterprises to continue their operations. The NPL ratio of personal loans rose to 0.22% also as a result of the economic downturn which has led to the relatively fast growth in the amount of non-performing personal business loans. However, risks are controllable in general and a relatively low non-performing loans ratio of 0.32% was maintained.

5.1.4.3 Distribution of Loans and Non-Performing Loans by Industry

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and non-performing loans by industry.

	As at December 31,							
	2015				2014			
	Amount	% of total	NPL	NPL ratio (%)	Amount	% of total	NPL	NPL ratio (%)
	(Expressed in millions of Renminbi, unless otherwise stated)							
Wholesale and retail	23,618	25.05	365	1.55	16,945	21.73	216	1.27
Manufacturing	14,101	14.95	493	3.50	12,801	16.42	321	2.51
Real estate	7,349	7.79	–	–	4,697	6.02	–	–
Construction	7,279	7.72	111	1.52	5,572	7.15	10	0.18
Agriculture, forestry, animal husbandry and fishery	3,866	4.10	3	0.08	2,078	2.66	–	–
Mining	1,849	1.96	–	–	1,538	1.97	–	–
Leasing and commercial services	1,412	1.50	3	0.21	1,209	1.55	5	0.41
Water, environment and public facility management	1,331	1.41	–	–	1,038	1.33	–	–
Public administration, public security and social organisations	1,260	1.34	–	–	1,290	1.65	–	–
Accommodation and catering	1,231	1.31	2	0.16	931	1.19	8	0.86
Transportation, storage and postal services	1,133	1.20	10	0.88	1,171	1.50	8	0.68
Production and supply of electric and heating power, gas and water	941	1.00	–	–	743	0.95	–	–
Culture, sports and entertainment	435	0.46	3	0.69	761	0.98	–	–
Others	1,204	1.28	–	–	897	1.15	–	–
Total corporate loans	**67,009**	**71.07**	**990**	**1.48**	**51,671**	**66.25**	**568**	**1.10**
Total personal loans	**22,842**	**24.22**	**50**	**0.22**	**21,395**	**27.44**	**15**	**0.07**
Discounted bills	**4,443**	**4.71**	**–**	**–**	**4,920**	**6.31**	**–**	**–**
Total	**94,294**	**100.00**	**1,040**	**1.10**	**77,986**	**100.00**	**583**	**0.75**

As at December 31, 2015, the non-performing corporate loans of the Group concentrated in the manufacturing industry, the wholesale and retail industry and the construction industry, with NPL ratio of 3.50%, 1.55% and 1.52%, respectively.

5.1.4.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and non-performing loans by collateral.

	As at December 31,							
	2015				2014			
	Amount	% of total	NPL	NPL ratio	Amount	% of total	NPL	NPL ratio
	(Expressed in millions of Renminbi, unless otherwise stated)							
Unsecured loans	1,316	1.40	1	0.08	2,533	3.25	–	–
Guaranteed loans	39,179	41.55	868	2.22	34,957	44.82	393	1.12
Loans secured by mortgages	30,194	32.02	167	0.55	23,527	30.17	190	0.81
Loans secured by pledges	23,605	25.03	4	0.02	16,969	21.76	–	–
Total	**94,294**	**100.00**	**1,040**	**1.10**	**77,986**	**100.00**	**583**	**0.75**

5.1.4.5 Borrowers Concentration

As at December 31, 2015, the Group was in compliance with the lending limit of 10% of the Group's net capital to any single borrower.

The following table sets forth, as at December 31, 2015, the Group's 10 largest single borrowers (excluding group borrowers) in terms of loan balance.

		As at December 31, 2015		
	Industry	Balance	% of total loans	% of net capital
	(Expressed in millions of Renminbi, unless otherwise stated)			
Borrower A	Construction	794	0.84	3.75
Borrower B	Real estate	700	0.74	3.30
Borrower C	Public administration, public security and social organisations	600	0.64	2.83
Borrower D	Manufacturing	588	0.62	2.78
Borrower E	Real estate	565	0.60	2.67
Borrower F	Leasing and commercial services	500	0.53	2.36
Borrower G	Transportation, storage and postal services	500	0.53	2.36
Borrower H	Mining	500	0.53	2.36
Borrower I	Wholesale and retail	486	0.52	2.29
Borrower J	Public administration, public security and social organisations	480	0.51	2.27
Total		**5,713**	**6.06**	**26.97**

5.1.4.6 Overdue loans

The following table sets forth, as at the dates indicated, the distribution of the Group's loans to customers by maturity.

	As at December 31,			
	2015		2014	
	Amount	**% of total**	**Amount**	**% of total**
	(Expressed in millions of Renminbi, unless otherwise stated)			
Current loans	91,401	96.93	76,111	97.60
Loans past due [(1)] for				
1 to 90 days	1,748	1.86	1,257	1.61
91 to 360 days	840	0.89	448	0.57
361 days or more	305	0.32	170	0.22
Subtotal	2,893	3.07	1,875	2.40
Total loans amount	**94,294**	**100.00**	**77,986**	**100.00**

As at December 31, 2015, the amount of overdue loans totaled RMB2,893 million, up RMB1,018 million as compared with the end of last year. Overdue loans accounted for 3.07% of the total loans, up 0.67% as compared with the end of last year. The increase in overdue loans was mainly a result of continued economic downturn which has adversely affected the operation of enterprises general as evidenced by serious overcapacity, relatively high pressure in destocking and decrease in both sales volume and prices, making it difficult for enterprises to continue their operations. The shortage of cash flow in turn led to overdue interests.

Note:

(1) Represents the principal amount of the loans on which principal or interest is overdue.

5.1.5 Business Segment Report

The table below sets forth the Group's operating income by business segments for the periods as indicated:

	As at December 31,			
	2015		2014	
	Amount	**% of total**	**Amount**	**% of total**
	(Expressed in millions of Renminbi, unless otherwise stated)			
Corporate banking business	3,406	43.33	2,801	50.88
Retail banking business	1,306	16.61	1,046	19.00
Treasury business	3,062	38.95	1,637	29.74
Others [(1)]	87	1.11	21	0.38
Total operating income	**7,861**	**100.00**	**5,505**	**100.00**

Note:

(1) Consists primarily of equity investment and the corresponding income, and expenses that are not directly attributable to any specific segment.

5.1.6 Analysis on Capital Adequacy Ratio

The Group continued to optimise its business structure and strengthen its capital management. As at December 31, 2015, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Group were 12.20%, 10.09% and 10.09%, respectively, and up 108bp, 143bp and 143bp, respectively, as compared with the end of last year, which fulfilled the requirements provided in the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBRC for the transition period. The changes in capital adequacy ratio were mainly due to the initial public offering on the Hong Kong Stock Exchange in December 2015 and the net profit obtained in 2015, however, the effect of which on the capital adequacy ratio was partially offset by the increase in risk-weighted assets.

In accordance with Administrative Measures for the Capital of Commercial Banks (Provisional) (the "New Measures") issued by CBRC, the capital adequacy ratio of the Group was as follows:

	As at December 31,	
	2015	**2014**
	(Expressed in millions of Renminbi, unless otherwise stated)	
Total core tier-one capital		
Share capital	5,142	3,942
Valid portion of capital reserve	2,618	75
Surplus reserve	1,238	902
General reserve	3,163	2,313
Retained earnings	5,634	4,173
Valid portion of minority interests	23	–
Core tier-one capital	**17,818**	**11,405**
Core tier-one capital deductions	(284)	(213)
Net core tier-one capital	**17,534**	**11,192**
Net tier-one capital	**17,534**	**11,192**
Tier two capital		
Qualifying portions of tier-two capital instruments issued	2,000	2,000
Surplus provision for loan impairment	1,649	1,176
Net tier-two capital	**3,649**	**3,176**
Net capital base	**21,183**	**14,368**
Total risk-weighted assets	**173,697**	**129,223**
Core tier-one capital adequacy ratio	**10.09%**	**8.66%**
Tier-one capital adequacy ratio	**10.09%**	**8.66%**
Capital adequacy ratio	**12.20%**	**11.12%**

5.2 Risk Management

During the Reporting Period, the Bank focused on the philosophy of work which emphasized "consolidating foundation, tightening up management, building a strong head office and proceeding with transformation and development" to further reinforce our comprehensive risk management as well as the institutional, system and risk culture build-up so that the risk management capability was enhanced steadily.

The major risks posed to the Bank included credit risk, market risk, operational risk, liquidity risk, information technology risk and reputational risk.

5.2.1 Credit Risk

Credit risk refers to the risk of loss from the failure by an obligator or counterparty to meet its obligations in accordance with agreed terms. We are exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and other on- and off-balance sheet credit risk exposures.

We have built an all-round credit risk management infrastructure to cover our entire credit business processes, with established policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. We have established a bank-wide standardized authorization and credit extension management system. We seek to improve our overall credit risk management capabilities through building up an internal customer rating system, upgrading credit risk management information system, and further tightening our credit review and monitoring.

5.2.2 Market Risk

Market risk is the risk of loss in on- and off-balance-sheet positions arising from movements in market prices. We are exposed to market risks through our banking portfolio and trading portfolio. The primary market risks associated with our banking portfolio are interest rate risk and exchange rate risk. The primary risk associated with our trading portfolio is fluctuations in the market value of our trading positions, which are affected by movements in observable market variables such as interest rates and exchange rates. We seek to control potential market losses within acceptable limits based on our risk appetite while we seek to maximize risk-adjusted returns.

Our organizational structure for market risk management covers the front, middle and back offices. Our Board bears the ultimate responsibility for supervising our market risk management. Our senior management is responsible for the implementation of market risk management strategies and policies approved by our Board. Market risk management is led by the risk management department, while the functions of market risk management are actually distributed among the risk management department, the financial planning department, the financial markets department, the interbank department, the trade finance department and the asset management department. To effectively perform its market risk management function, the risk management department has appointed designated market risk management personnel to the financial markets department to participate in the middle office management of the bond trading business in the financial markets department. Our market risk management consists of the identification, measuring, monitoring and control of market risk. We also set different authorized risk limits for various products based on factors such as our overall market risk tolerance level, business strategy as well as market conditions for specific products. We set different exposure limits and employ different quantitative measures to manage different types of market risk arising from our banking book and trading book.

(1) Market risk associated with banking book

1. Interest rate risk

Interest rate risk associated with our banking book primarily refers to the risk of loss caused to the overall earnings and economic value of banking book due to adverse movements in various factors such as interest rate level and maturity mix. By carrying out proactive management, appropriate hedging and other means, the Bank keeps the negative impact of interest rate fluctuations on the earnings and economic value of banking book under control within an acceptable limit.

2. Exchange rate risk

Exchange rate risk refers to the risk arising from the time and regional differences in exchange rate fluctuations as well as the mismatch between currency and maturity mix. We are exposed to exchange rate risk primarily through trading risk and conversion risk. Trading risk refers to the risk of loss caused to the Bank due to exchange rate fluctuations when customers are carrying out spot or forward foreign exchange trading, lending, investment and exchange activities. Conversion risk refers to foreign exchange gains and losses due to exchange rate fluctuations when assets and liabilities in foreign currencies in the Bank's balance sheet are converted into Renminbi at the end of an accounting period.

As at the end of 2015, since the Bank held a small total amount of foreign currency assets and the foreign exchange settlement business was in the early stage, the overall foreign exchange risk was small and could be controlled within an acceptable limit.

(2) Market risk associated with trading book

Market risk associated with our trading book mainly refers to the changes in the asset value of the financial products in the trading book caused by the changes in market interest rates. By setting the interest rate-sensitive indicators, cut-loss limits and other market risk limits, the Bank revalues the market value of the assets in the trading book on a daily basis and conducts stress tests on a regular basis so that the market risk associated with the trading book is overall controllable.

5.2.3 Operational Risk

Operational risk refers to the risk of loss that may be incurred due to inadequate or failed internal procedures, personnel or information technology systems, or external events. We are exposed to operational risk primarily through internal and external frauds, worksite safety failures, business interruptions, damage of tangible assets and failure in information technology system. Our operational risk management objectives are to establish a sound operational risk management framework to carry out effective management of operational risks and to minimize losses from operational risk.

The organizational structure of our operational risk management consists of the Board, the Board of Supervisors, senior management, the compliance department, the risk management department, the internal audit office and various departments and branches. The Board, the Board of Supervisors and senior management lead and supervise our operational risk management. The Board bears the ultimate responsibility for the effectiveness of operational risk management. Our senior management leads the day-to-day operational risk management across the Bank. Our business departments, functional departments, branches and sub-branches, the compliance department and the risk management department, and internal audit office constitute the "three lines of defense" for our operational risk management. We have maintained close coordination and communications among our "three lines of defense", each also focusing on its own designated responsibilities. Our business departments, functional departments and branches and sub-branches, as the first line of defense, are directly responsible for operational risk management. The compliance department and risk management department at our head office, being the second line of defense, are responsible for establishing operational risk management policies and procedures, and coordinating, supporting and supervising operational risk management. The internal audit office, as the third line of defense, is responsible for evaluating the adequacy and effectiveness of our operational risk management policies and procedures.

We have established a bottom-up operational risk reporting system. The compliance department submits periodical and ad hoc reports covering operational risks to the Board, the Board of Supervisors and senior management. The reports are required to include our operational risk profile, operational risk incidents and relevant data analysis, trends and early warning analysis, remediation measures, steps for future improvements. Significant operational risk incidents should be promptly reported to the senior management or, pursuant to applicable regulatory requirements, to the regulatory authorities by relevant sub-branches, business and functional departments.

5.2.4 Liquidity Risk

Liquidity risk refers to the risk of failure to acquire sufficient funds in time or failure to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting our liquidity include the maturity mix of our assets and liabilities and changes to banking regulations, such as changes in the requirements relating to loan-to-deposit ratio and statutory deposit reserve ratio. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our cash flow positions. The objectives of our liquidity risk management are to ensure the availability of adequate funding at all times to meet our payment obligations and fund our business operations on a timely basis.

Our organizational structure for liquidity risk management is formed on the basis of separation of the responsibilities for the formulation, implementation and supervision of liquidity risk management policies and procedures. The Board bears the ultimate responsibility for our liquidity risk management. The Risk Management Committee under the Board is responsible for approving the liquidity risk management policies and strategies developed by the senior management. The Asset and Liability Management Committee under our senior management is responsible for the management of liquidity risk across the Bank, specifically, responsible for formulating our liquidity management policies and leading the implementation of these policies. The Board of Supervisors is responsible for supervising the Board and senior management in carrying out liquidity risk management on a day-to-day basis. Relevant departments, such as the financial planning department, the financial markets department, the interbank department and the asset management department, are responsible for liquidity risk management on a day-to-day basis.

We manage our liquidity risk mainly through monitoring the maturities of our assets and liabilities to ensure that we have sufficient funds to fulfill obligations as they become due. We have stepped up our efforts to improve our liquidity risk management after CBRC issued the "*Notice on Further Strengthening the Supervision on Liquidity Risks of Commercial Banks*" (《關於進一步加強商業銀行流動性風險監管的通知》) in February 2010 and the "*Measures for Liquidity Risk Management of Commercial Banks (Trial)*" (《商業銀行流動性風險管理辦法(試行)》, effective March 1, 2014. We have implemented the heightened regulatory requirements through closely monitoring various liquidity ratios, formulating contingency plans and strengthening liquidity risk management and stress tests. At present, we manage our liquidity risk through liquidity stress tests, liquidity limit system, the second generation of China National Advanced Payment System, position reporting and certain other tools. We are developing the cash flow analysis and management tools.

5.2.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of our use of information technology. Our objectives for information technology risk management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous and stable environment. We seek to operate our business in a safe and robust information technology environment and drive business innovation with advanced information technologies. The Information Technology Management Committee under our senior management is responsible for coordinating on the performance of various responsibilities for information technology management, to ensure the allocation of adequate human and financial resources, and maintaining a stable and secure information technology environment. The information technology department is responsible for the implementation of information technology risk management policies and procedures.

Under the leadership of the Board and senior management, we have established a tiered information technology risk management framework based on the "three lines of defense", namely, the business, risk management and audit. In addition, we seek to establish effective infrastructures to identify, monitor and control information technology risk and facilitate the safe, continuous and stable operation of our information technology system and to improve our sustainability. We establish a comprehensive information technology risk management system through the development, operation and maintenance of information system, management of information security and business continuity. In respect of the operation and maintenance management of our information technology system, we seek to improve the overall stability and availability of our information technology system by improving its structure and preventive maintenance. In respect of information security, we seek to build up an information security control mechanism and technology protection methodologies through establishing effective processes for management of user authentication and access control, rigorously implementing standard operation processes, managing transactions and activity logs and employing encryption techniques. In respect of business continuity, we have built a local application disaster recovery center in Zhengzhou and a non-local disaster recovery data center in Dongguan to ensure business continuity and reliability.

5.2.6 Reputational Risk

Reputational risk refers to the risk of negative publicity and comments on the Bank due to our operations, management and other activities or external events. Our objectives for reputational risk management are to identify, monitor, control and eliminate reputational risk by establishing a positive, reasonable and effective mechanism for reputational risk management in order to build and maintain our good corporate image and boost our sustainable development.

We have established a tiered organizational framework for reputational risk management. The Board bears the ultimate responsibility for reputation risk management and our senior management is responsible for our reputational risk management. We have set up a Reputational Risk Management Committee under our senior management to ensure the normal and effective operation of the reputational risk management system. The general office at the head office takes the lead in managing our reputation risk and is responsible for the day-to-day management of reputational risk.

5.2.7 Implementation of the New Basel Capital Accord

Since the beginning of 2013, the Bank has been committed to implementing the New Basel Capital Accord by selecting a development plan which matches the Bank's business strategy, scale and complexity, and by actively formulating and implementing the Foundation IRB Approach for capital measurement in accordance with the Measures Governing the New Capital of Commercial Banks (Trial Implementation) and other regulatory policies. By enhancing corporate governance structure, establishing a sound risk management system and improving information technology system, the Bank aimed to meet all the regulatory requirements. Following the commencement of a comprehensive risk management project in 2013, the Bank has currently completed the establishment of an application scorecard system for the retail credit business, a collateral management system, a standard approach to operational risk and GRC system, and completed the consultation on liquidity risk management, the development of a credit rating model for debts of the treasury business and the development of a scoring model for credit cards. The establishment of an interest rate risk system for bank accounts will soon be completed. The Bank is also active in other projects such as the standard approach to market risk, RWA and ICAAP which are scheduled to start in 2016.

5.3 Future Prospects

In 2016, the world economy will continue to grow in a more complex environment due to the combined effect of structural and cyclical factors. As to China, the economy will continue to be subject to a greater downside pressure or to slow down moderately. As China needs to adapt itself to the new normal pattern of economic development, to continue its reform and open-door policy and to retain the general tone of seeking progress while maintaining stability, it will continue to apply a looser fiscal policy and a prudent monetary policy. Through the establishment and implementation of innovative, coordinated, green, open and sharing development concepts, structural reforms will be carried out on the supply side to improve the quality of development and boost stable economic growth. As China is implementing the "One Belt, One Road" strategy, Henan, a vital point of connection under the strategy, will further expand its open-door policy. The in-depth implementation of the three major strategies for the Food Core Area, the Central Plains Economic Zone and Zhengzhou Airport Economic Experimental Zone, as well as the implementation of a strategy for building Zhengzhou into an international city of business will provide the Group with tremendous market space for development.

Along with the near completion of market-oriented interest rates de-regulation and the continuous furthering of reforms for the exchange rate formation mechanism in 2016, the financial industry will become increasingly diversified and there will be a growing trend towards financial disintermediation, thus posing severe challenges to traditional banking services and marketing patterns. As bank performance will be significantly differentiated, there will be a general trend towards comprehensive operations in the banking industry, formation of alliance of financial institutions, integral regulation of the financial industry and refined management with a focus on customer base, products, channels and of process.

The year 2016 marks the startup of the Bank of Zhengzhou following its listing on the Hong Kong Stock Exchange. The Group will further consolidate its foundation, tighten up its management and push forward transformation and development. By placing its focus on carrying out differentiated business operations, creating its core competitiveness and building a Bank of Zhengzhou brand and culture, the Group will continue to optimise the structure of its assets, liabilities, profits, customers and channels, and place emphasis on the Bank's three featured businesses comprising commerce and logistics bank, financing expert for small and medium enterprises and boutique banking for residents. Furthermore, the Group will continue its comprehensive business operations by applying for more business licenses for various kinds of business, will strengthen its asset and liability management by boosting the rapid growth of low-cost debts, promoting securitisation of credit assets, and highlighting the innovation-driven approach, will speed up the distribution of offices by expanding regional operations, will highlight risk prevention and control by tightening up risk management, making a firm development baseline and continuing to strengthen audit checks to prevent all kinds of risk. The Group shall reward its shareholders and investors as well as various social sectors with good operating results for their trust and support.

5.4 Subsequent Events

Full Exercise of the Over-allotment Option

The Bank published an announcement on January 15, 2016 regarding the full exercise of the Over-allotment Option, announcing that the Over-allotment Option was fully exercised in respect of an aggregate of 198,000,000 H Shares, representing 15% of the offer shares initially available under the Global Offering before the exercise of the Over-allotment Option. Those shares were listed on the Hong Kong Stock Exchange on January 20, 2016.

Establishment and the Operation of the Financial Leasing Company

The Bank published an announcement on February 17, 2016 regarding the approval by the CBRC on the establishment of a financial leasing company, announcing that the establishment of Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司) (the "**Financial Leasing Company**"), 51% of which shall be held by the Bank, has been approved by the CBRC. After completion of the establishment work, the Financial Leasing Company shall apply to the CBRC Henan Office for operation approval in accordance with relevant regulations and procedures.

The Bank published an announcement on March 23, 2016 regarding the operation approval by the CBRC Henan Office for the Financial Leasing Company, announcing that the operation approval for the Financial Leasing Company has been granted by the CBRC Henan Office on March 18, 2016. The Financial Leasing Company has officially been in operation since March 23, 2016.

The Financial Leasing Company is principally engaged in, among others, financial leasing, transfers of subject assets of financial leases, investment businesses in securities with fixed revenues, acceptance of lease deposit from lessee, sales and disposals of leasing projects and economic consulting.

6. Issuance of Securities

6.1 Issuance of Securities and Listing

Since December 23, 2015 (the "**Listing Date**"), listing and dealings of the H Shares of the Bank have commenced on the Hong Kong Stock Exchange. In the initial public offering, the Bank and its state-owned shareholders had issued and sold an aggregate of 1,518,000,000 H Shares at an offer price of HK$3.85 per share (including 198,000,000 H Shares issued and sold on January 15, 2016 pursuant to the exercise of the Over-allotment Option).

The Bank has raised about HK$5.844 billion from the initial public offering, after deducting the net proceeds from the sale of shares by the state-owned shareholders of the Bank and fees and expenses in relation to the offering, the net proceeds have been used to strength the capital base of the Bank in accordance with the use of proceeds disclosed in the prospectus. Following the completion of the initial public offering, the total number of shares of the Bank has reached 5,321,931,900 shares consisting of 3,803,931,900 Domestic Shares and 1,518,000,000 H Shares, and the registered capital of the Bank became RMB 5,321,931,900.

6.2 Information on Issuance of Bonds

6.2.1 Issued Bonds

In 2009, the Bank issued ten-year subordinated bonds, of which the aggregate principal was RMB690 million with an interest rate of 6.50% per annum. All such bonds were redeemed in December 2014.

In 2013, the Bank issued financial bonds of RMB5 billion comprising two categories of products: (1) three-year product with a fixed interest rate of 4.58%, which will become due on May 20, 2016; and (2) five-year product with a fixed interest rate of 4.80%, which will become due on May 20, 2018.

In 2014, the Bank issued ten-year tier-two capital bonds, of which the aggregate principal was RMB2 billion with an interest rate of 5.73% per annum. Such bonds will become due on December 15, 2024.

6.2.2 Proposed Issuance of Bonds

The Board approved that, subject to obtaining the approval of shareholders at the 2015 annual general meeting, the Board of the Bank will authorize the management to after obtaining the approval from the relevant regulatory authorities, issue green financial bonds with an aggregate amount not exceeding RMB5 billion. For details, please refer to the announcement regarding the proposed authorization of the issuance of green financial bonds published on the same date as this annual results announcement.

7. Other Information

7.1 Corporate Governance Code

A sound corporate governance system is fundamental to the Group's sustained efforts to enhance its core competitiveness and promote a robust and steady development. Therefore, the Group has been devoted to establishing a comprehensive corporate governance system, striving to improve its standard of corporate governance.

In accordance with both the domestic and overseas corporate governance requirements, the Group has established a corporate governance system in which the duties of the general meeting, the Board, the board of Supervisors and senior management are clearly defined and with effective check and balance in place to ensure efficient coordination and scientific decision-making, thereby safeguarding the interests of shareholders.

From the Listing Date to December 31, 2015, the Group has complied with the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"). In addition, the Group has also strictly complied with laws and regulations and the Listing Rules in respect of internal information management.

7.2 Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct regarding securities transactions by the directors of the Bank (the "**Directors**") and the supervisors of the Bank (the "**Supervisors**") and relevant employees on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors and Supervisors, all Directors and Supervisors of the Bank have confirmed that they have complied with the code of conduct from the Listing Date to December 31, 2015.

7.3 Changes in Directors and Supervisors

7.3.1 Changes in Directors

At the 2014 annual general meeting held on June 18, 2015, Mr. WANG Tianyu, Mr. ZHANG Rongshun and Mr. SHEN Xueqing were re-elected as executive Directors, Mr. XU Jianxin, Mr. ZHANG Jingguo, Mr. LIANG Songwei, Mr. JI Hongjun, and Mr. MA Lei were re-elected as non-executive Directors, and Mr. WANG Shihao were re-elected as independent non-executive Director.

At the 2014 annual general meeting held on June 18, 2015, Mr. FAN Yutao, and Mr. MA Jinwei were elected as non-executive Directors, and Mr. LI Huaizhen, Mr. XIE Taifeng, Mr. WU Ge and Ms. CHAN Mei Bo Mabel were elected as independent non-executive Directors. The directors' qualifications of the above six Directors have been approved by the CBRC Henan Office on September 8, 2015. The term of their appointment is consistent with that of the 5th session of the Board, starting from the date of approval and expected to end on the date of the 2017 annual general meeting.

Following the close of the 2014 annual general meeting, Mr. QIAO Jun'an, Mr. LIU Rui, Mr. WANG Zhenmin and Mr. WEI Xin had no longer served as directors of the Bank.

On March 26, 2016, Mr. MA Lei resigned as non-executive director of the Bank. Mr. YU Zhanglin was approved by the Board to be proposed to be appointed as non-executive director of the Bank and the proposal was submitted to the 2015 annual general meeting for approval. For details of the resignation of Mr. MA Lei and the proposed appointment of Mr. YU Zhanglin, please refer to the announcement of the resignation of non-executive director and the proposed appointment of non-executive director published on the same date as this annual results announcement.

7.3.2 Changes in Supervisors

At the second 2015 meeting of the second session of the labour union committee of the Bank held on May 28, 2015, Ms. DUAN Ping and Ms. ZHANG Chunge were re-elected as employee Supervisors of the Bank, and Ms. CUI Huarui was elected as an employee Supervisor of the Bank.

At the 2014 annual general meeting held on June 18, 2015, Mr. FAN Dalu and Ms. MENG Jun were re-elected as shareholder Supervisors of the Bank, and Mr. TANG Yunwei and Mr. LIU Yuhui were re-elected as external Supervisors of the Bank; Mr. ZHU Zhihui was elected as a shareholder Supervisor of the Bank, and Mr. ZHANG Shengping was elected as an external Supervisor of the Bank.

7.4 Profits and Dividends

The Group's income for the year ended December 31, 2015 and the Group's financial position as at that date are set out in the section headed "Financial Report" of this results announcement.

Pursuant to the resolutions of the 2014 annual general meeting of the Bank, the Bank distributed a cash dividend for the year ended December 31, 2014 of RMB1.80 (tax inclusive) per ten shares of the Bank in an aggregate amount of RMB709.55 million (tax inclusive) to all shareholders of the Bank whose names appeared on the register of members on December 31, 2014. The dividends were denominated in RMB.

The Board of Directors has proposed a cash dividend for the year ended December 31, 2015 of RMB2.00 (tax inclusive) per ten shares of the Bank in an aggregate amount of RMB1,064.39 million (tax inclusive) to all shareholders of the Bank. The dividend distribution plan will be submitted to the 2015 annual general meeting for consideration.

The proposed dividend will be denominated in RMB. The dividend payable to domestic shareholders will be paid in RMB, while the dividend payable to holders of H Shares will be paid in Hong Kong dollars. The Bank will announce the applicable exchange rate for calculating the dividends distributed in Hong Kong dollars in due course. If the proposed dividend is approved at the 2015 annual general meeting, the cash dividend is expected to be distributed to the shareholders of the Bank on July 15, 2016 (Friday). In case of any change to the date of distribution, the Bank will publish an announcement in respect of the change.

The cash dividends and ratios of cash dividends to the profit of the Bank for the past three years are as follows:

	2014	2013	2012
	Unit: millions of RMB except percentages		
Cash dividend (tax inclusive)	709.55	591.29	–
As a percentage of net profit for the year	30%	30%	–

7.6 Annual General Meeting

The Bank proposes to hold the 2015 annual general meeting in June 2016. For the details of the resolutions to be considered and the date of the 2015 annual general meeting, please refer to notice and circular for the 2015 annual general meeting to be despatched by the Bank in due course.

7.7 Purchase, Sale or Redemption of Listed Securities of the Bank

From the Listing Date to December 31, 2015, the Group had not purchased, sold or redeemed any listed securities of the Bank.

8. PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.zzbank.cn). The 2015 Annual Report prepared in accordance with the IFRSs will be published on the Hong Kong Stock Exchange's website (www.hkexnews.hk) and the Bank's website (www.zzbank.cn) and will be dispatched in due course.

This result announcement was prepared in both Chinese and English versions. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

On behalf of the Board
Bank of Zhengzhou Co., Ltd.*
Wang Tianyu
Chairman

Zhengzhou, Henan, China
March 26, 2016

As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Wang Tianyu, Mr. Shen Xueqing and Mr. Zhang Rongshun as executive Directors, Mr. Xu Jianxin, Mr. Fan Yutao, Mr. Zhang Jingguo, Mr. Liang Songwei, Mr. Ma Jinwei and Mr. Ji Hongjun as non-executive Directors, Mr. Wang Shihao, Mr. Li Huaizhen, Mr. Xie Taifeng, Mr. Wu Ge and Ms. Chan Mei Bo Mabel as independent non-executive Directors.

* *Bank of Zhengzhou Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.*